

No. 18(11)/2005-GM
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises

Public Enterprises Bhawan,
Block No. 14, CGO Complex,
Lodhi Road New Delhi-110003.

Dated the 7th August, 2012

OFFICE MEMORANDUM

Subject: Incentive scheme for Chief Executives and Functional Directors in sick/ loss making Central Public Sector Enterprises (CPSEs) under revival package approved by the Government.

The undersigned is directed to refer to this Department's O.M. of even number dated 24th July, 2007 and 17th December, 2008 (copies enclosed) on the subject mentioned above.

2. The Government had issued the above office orders in order to attract suitable Board level executives capable of turning around sick CPSEs by providing for extension of tenure beyond the age of superannuation till 65 years and a lumpsum incentive upto maximum of Rs.10 lakhs per annum to such Board level incumbents of CPSEs including CMD who have contributed to the turnaround of the concerned sick CPSE.

3. It has been brought to the notice of this Department that in many cases the Board level incumbents, including CMD, who have played an effective role in turning around the sick CPSEs have not been given the benefits of above schemes. Such a position defeats the basic objectives behind the introduction of above schemes and also adversely impacts the achievement of turnaround targets included in the revival package of the concerned CPSEs.

4. It has, therefore, been decided to impress upon the concerned administrative Ministries/Departments to implement the benefits of schemes as envisaged vide above referred DPE O.M. dated 24th July, 2007 and 17th December, 2008 in turnaround CPSEs in letter and spirit which would be consistent with the Government policy for strengthening and revival of sick CPSEs.

5. All administrative Ministries/Departments are requested to take necessary action, as applicable, in terms of provisions contained in above referred DPE O.M. dated 24th July, 2007 and 17th December, 2008.

Encl: As stated

Ar
(Arun Kumar Sinha)
Joint Secretary to the Government of India
Tel: 24360204

All administrative Ministries/Departments
(Secretaries by name)

Copy to- Secretary, BRPSE - w.r.t. Chairman, BRPSE D.O. letter
No.BRPSE/1(197)/2012 dated 26th July, 2012

Issued as per list.

Jm
8-8-2012

CHAPTER II PERSONNEL POLICIES

(b) Composition of Board of Directors

42. DPE/Guidelines/II(b)/42

Appointment of Chief Executives and Functional Directors in sick/loss making Central Public Sector Enterprises (CPSEs) under revival package approved by the Government.

The National Common Minimum Programme (NCMP), inter-alia, states that every effort will be made to modernize and restructure sick public sector companies and revive sick industry. The Government has considered the issue relating to restructuring of CPSEs and also the ways and means for funding the scheme for revival of such CPSEs as well as providing strong and effective top management team for them. In this context, it was felt that there was a need to attract Board level executives capable for turning around sick CPSEs and give them continuity of tenure for the revival package to succeed.

2. The Government has considered this matter and the Competent Authority has decided that in the case of sick/loss making CPSEs for which revival plan has been approved by the Government, the following relaxation would be provided:-

(i) In case, any Board level incumbent of such CPSE has contributed exceedingly well in the turn around of that sick CPSE, his tenure may be extended till he attains the age of 65 years. Since, the selection process to a board level post is being initiated by Public Enterprises Selection Board (PESB) one year prior to the due date of superannuation of the incumbent, the proposal for extension of tenure beyond the age of superannuation will have to be initiated at least one year prior to the date of superannuation of the incumbent. In case, the balance period of tenure of incumbent is less than one year at the time of approval of revival package by the Government, such proposal for extension of tenure may be initiated immediately after approval of revival package by the Government. The decision on the extension of tenure beyond the normal retirement age will be taken as per the extant procedure for extension of tenure of Board level executives, i.e. joint appraisal by PESB followed by the approval of the competent authority. Further, such extension would be subject to annual review of the performance of the incumbent to be conducted by Secretary of the concerned administrative Ministry.

(i) Where fresh appointment of the Chief Executive or any Functional Director is proposed and if the PESB procedure of circulation of vacancy does not ultimately lead to a panel for consideration by the competent authority, then relaxation of cut-off age for applying, to 62 years, with minimum tenure of 3 years, could be considered. In such cases, serving/retired CPSE executives, Government servants and private sector executives could be considered.

(ii) Chief Executives and Functional Directors of these CPSEs would be considered for a lump-sum incentive up to maximum of Rs.10 lakh out of the profits of the CPSE besides usual pay, allowances and perks attached to the post. The detailed guidelines in this regard would be issued separately.

3. It is re-iterated that the extant guidelines and procedure with regard to the process for selection, appointment and extension of the tenure of the Chief Executives and Functional Directors of CPSEs will continue to be followed except for the relaxations specified in para 2(i) and para 2(ii) above.

4. All the administrative Ministries and Departments concerned are requested to take note of the above decision.

(DPE OM No. 18(11)/2005-GM-GL-88 dated the 24th July, 2007)

CHAPTER II PERSONNEL POLICIES

(b) Composition of Board of Directors

44. DPE/Guidelines/II(b)/44

Incentive Scheme for Chief Executives/Functional Directors of sick CPSEs for which Government have approved the revival package.

The National Common Minimum Programme (NCMP), inter-alia, states that every effort will be made to modernize and restructure sick public sector companies and revive sick industry. The Government has considered the issue relating to restructuring of CPSEs and also the ways and means for funding the scheme for revival of such CPSEs as well as providing strong and effective top management team for them. In this context, it was felt that there was a need to attract Board level executives capable for turning around sick CPSEs and give them continuity of tenure for the revival package to succeed. In this regard instructions were issued vide O.M. No.18(11)/2005-GM-GL-88 dated 24th July, 2007, which inter alia, provided that Chief Executives and Functional Directors of those CPSEs which are able to achieve the projected targets of the revival plan would be considered for suitable incentive.

2. The Government has considered the above matter and has decided to introduce an incentive scheme for Chief Executives/Functional Directors of sick/loss making CPSEs for which Government has approved the revival package. The details of the incentive scheme are as under:-

(i) This scheme is applicable only to the whole-time Chief Executives/Functional Directors of sick/loss making CPSEs for which Government has approved the revival package and the CPSEs have timely achieved the projected targets of the revival plan.

(ii) The whole- time Chief Executive/Functional Directors of the CPSEs referred in this scheme are *jointly* entitled to share the profit of their concerned CPSEs at the rates mentioned below.

| S. No. | Schedule of the CPSE | Percentage of profit payable as <i>group</i> incentive to the whole- time Chief Executive and Functional Directors under the proposed scheme. |
|--------|-------------------------------|---|
| 1 | Schedule – A | 1% |
| 2 | Schedule – B | 1.5% |
| 3 | Schedule – C | 2% |
| 4 | Schedule – D & Un-categorized | 2.5% |

The above share of profit is subject to the conditions stipulated in the succeeding sub paras.

(iii) The total *group* incentive payable under this scheme to the whole-time Chief Executive/Functional Directors should not exceed Rs.10 lakh per annum.

(iv) The total amount of *group* incentive payable to the whole-time Chief Executive/ Functional Directors shall be distributed among them in the following manner.

(a) In the case of Schedule 'A' and 'B' CPSEs, the total amount of incentive available for distribution will be distributed among the whole-time Chief Executive and all whole-time Functional Directors in the ratio of 4 : (3 X Number of Functional Directors) subject to the

ceiling mentioned in the Table given below.

(b) In the case of Schedule 'C' and 'D' and 'Un-categorized' CPSEs, the total amount of incentive available for distribution will be distributed among the whole-time Chief Executive and all whole-time Functional Directors in the ratio of 7 : (5 X Number of Functional Directors) subject to a ceiling mentioned in the Table given below.

| S. No. | Schedule of the CPSE | Maximum Incentive payable to Whole-time Chief Executive (Rs. per annum) | Maximum Incentive payable to Whole-time Functional Directors (Rs. per annum per person) |
|--------|-------------------------------|---|---|
| 1 | Schedule - A | 2,40,000 | 1,80,000 |
| 2 | Schedule - B | 2,40,000 | 1,80,000 |
| 3 | Schedule - C | 2,10,000 | 1,50,000 |
| 4 | Schedule - D & Un-categorized | 2,10,000 | 1,50,000 |

If any whole-time Chief Executive/Functional Director was employed for a part of the Financial Year, he/she shall be paid incentive on proportionate basis.

(v) The term 'Profit' for the purpose of this scheme means Profit before Tax before prior period adjustments and extraordinary items like waivers/ concessions/subsidy/write-offs/grants received from Government/ banks/Financial Institutions. However, subsidy if any received by the CPSE as a part of the scheme administered by the Government will be considered for computing the profit.

(vi) The incentive for a particular year will be computed based on the audited accounts of that year and the same will be paid by the Company as a lump sum in the succeeding year. For example the incentive for the year 2007-08 will be computed on the basis of the audited accounts of the year 2007-08 and the same will be paid during 2008-09.

(vii) The Scheme is effective from the year 2007-08. The incentive under this scheme should be paid only after the same is approved by the Remuneration Committee and also by the Board of Directors.

(viii) The Scheme will be valid for 5 years and will be reviewed thereafter.

3. The proposals in this regard, after approval of the Board, may be submitted by the CPSEs to their concerned administrative Ministry/Department for approval. The concerned administrative Ministry/Department, with the concurrence of its FA, may take the final decision in this regard.

4. The Government has since approved the implementation of Performance-Related Pay (PRP) as part of the salary revision of CPSE executives including Chief Executive and Functional Directors of profit making CPSEs vide DPE O.M. No.2(70)/08-DPE (WC)-GL-XVI/08 dated 26.11.2008. The Chief Executives and Functional Directors of those sick and loss making CPSEs referred in para 2 of this O.M. have the option to opt for any one of the two schemes, i.e., either the PRP approved by the Government or the proposed incentive scheme in respect of sick and loss making CPSEs.

(DPE OM No. 18(11)/2005-GM-GL dated 17th December 2008)
